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**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF PAYSON WATER COMPANY FOR  
APPROVAL OF A WATER  
AUGMENTATION SURCHARGE TARIFF  
(MESA DEL CABALLO SYSTEM)

DOCKET NO: W-03514A-10-0116

IN THE MATTER OF THE NOTICE OF  
FILING OF PAYSON WATER COMPANY'S  
PROPOSED CHANGES TO ITS  
CURTAILMENT TARIFF (MESA DEL  
CABALLO SYSTEM)

DOCKET NO: W-03514A-10-0117

**NOTICE OF COMPLIANCE  
(ERRATA)**

Payson Water Company ("Payson Water" or "Company") hereby files this Notice of Compliance (Errata) in the above-referenced matter. A revised curtailment plan tariff and water augmentation surcharge tariff are attached as **Exhibits A and B**, respectively, which tariffs incorporate Staff's suggested changes and replace the tariffs filed by the Company on October 28, 2010.

DATED this 22nd day of November, 2010.

FENNEMORE CRAIG, P.C.

Arizona Corporation Commission  
**DOCKETED**

NOV 22 2010

DOCKETED BY

By:

Patrick J. Black  
Attorneys for Payson Water Company

1 **ORIGINAL** and 13 copies filed  
2 this 22nd day of November, 2010, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 **COPY** hand-delivered  
8 this 22nd day of November, 2010, to:

9 Kimberly Ruht, Esq.  
10 Legal Division  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007

14 Marlin Scott, Jr.  
15 Utilities Division  
16 Arizona Corporation Commission  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Carmel Hood, Compliance  
20 Utilities Division  
21 Arizona Corporation Commission  
22 1200 West Washington Street  
23 Phoenix, Arizona 85007

24 **COPY** mailed  
25 this 22nd day of November, 2010, to:

26 Mesa Del Water Committee  
c/o El Caballo Club, Inc.  
8119 Mescalero  
Payson, Arizona 85541

By: Whitney Birk

2371747.1/73283.004

# EXHIBIT

A

		Revised	SHEET NO.	1.1
Payson Water Co., Inc.		Revised	SHEET NO	
Docket No. W-03514A-10-0116 et al.	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

## **CURTAILMENT PLAN FOR: PAYSON WATER CO., INC.**

ADEQ Public Water System: Mesa Del Caballo (#04-030)

### **APPLICABILITY**

Payson Water Company, Inc. (the "Company") is authorized by the Arizona Corporation Commission to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff. As needed, this tariff will be implemented by the Company for customers of the Mesa del Caballo water system ("Water System").

The curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of this tariff.

For the purposes of this curtailment plan the term "Peak Season" shall be defined as the period from May 1 through September 30 annually. The term "Off-Peak Season" shall be defined as all other periods not defined as Peak Season.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

**EXEMPTIONS:** Customers who use 4,000 gallons or less per month based on a twelve (12) month rolling average are exempt from the mandatory reduction in daily use requirements as outlined in Stage 3, Stage 4 and Stage 5 of this Tariff. This is because these customers are already leading a conservative water lifestyle, and mandatory percentage reductions will likely require the loss of use of water essential to health and safety. However, all other restrictions during mandatory conservation periods will still apply.

### **STAGES**

#### **Stage 1 Exists When:**

Water System's storage level is 85% or more of capacity and there are no known problems with production or storage.

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	Month Day Year			Month Day Year
		ISSUED BY: Robert T. Hardcastle		
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		Bakersfield, CA 93308		
		Decision No. 71902 (September 28, 2010)		

		Revised	SHEET NO.	1.2
Payson Water Co., Inc.		Revised	SHEET NO	
Docket No. W-03514A-10-0116 et al.	Mesa Del Caballo Water System (PWS 04-030)			
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**Restrictions:** Under Stage 1 conditions the water system is deemed to be operating normally and no curtailment is necessary, except as follows: (a) no outside watering is permitted on Mondays; (b) outside water is permitted on Tuesdays, Thursdays, and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays, Fridays, and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or any form of irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m.

**Water Augmentation:** Under Stage 1 conditions, no water augmentation is required.

**Notice:** Under Stage 1 conditions, no notice is required.

### **Stage 2 Exists When:**

Water System's storage level is less than 85% of capacity but more than 70% of capacity for at least forty-eight (48) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

**Restrictions:** Under Stage 2 conditions **voluntary** conservation measures should be employed by customers to reduce water consumption by at least 20% as measured on a daily use basis. Further water use restrictions shall include: (a) no outside watering is permitted on Monday's, Thursdays, and Fridays; (b) outside water is permitted on Tuesdays and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m.

**Water Augmentation:** Under Stage 2 conditions no water augmentation is required.

**Notice:** Under Stage 2 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 2 conditions, and a need to conserve water.

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		Revised	SHEET NO.	1.3
Payson Water Co., Inc.		Revised	SHEET NO.	
Docket No. W-03514A-10-0116 et al.	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

### Stage 3 Exists When:

Water System's storage level is less than 70% of capacity but more than 60% of capacity for at least twenty-four (24) consecutive hours. Further, the Company has identified-operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

**Restrictions:** Under Stage 3 conditions **mandatory** conservation measures should be employed by customers to reduce water consumption; by at least 30% as measured on a daily use basis. Further water use restrictions shall include: (a) no outside watering is permitted on Mondays, Thursdays, and Fridays.; (b) outside water is permitted on Tuesdays and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m. Under Stage 3 conditions the Company shall inform customers of the Water System of the **mandatory** restriction to employ water conservation measures to reduce daily consumption by 30%. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 3 conditions, the following uses of water are strictly prohibited: (1) outdoor irrigation of lawns, trees, shrubs, or any plant life, except as otherwise provided herein; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other water intensive activity. Under Stage 3 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

**Water Augmentation:** Under Stage 3 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 2 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

**Notice:** Under Stage 3 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 3 conditions, and a need to conserve water.

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		Revised	SHEET NO.	1.4
Payson Water Co., Inc.		Revised	SHEET NO	
Docket No. W-03514A-10-0116 et al.	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

**Enforcement:** Once the Company has properly provided notice of Stage 3 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan may result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 3 curtailment notice shall be:

First offense:	\$200
Second offense: (see also Reconnection Fees Section)	\$350
Third offense:	\$750

If a customer believes their water service has been disconnected in error, the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

#### Stage 4 Exists When:

Water System's storage level is less than 60% of capacity, but more than 50% of capacity for at least twenty-four (24) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

**Restrictions:** Under Stage 4 conditions **mandatory** conservation measures should be employed by customers to reduce water consumption; by at least 40% as measured on a daily use basis. Further water use restrictions shall include: (a) no outside watering is permitted on Mondays, Thursdays, Fridays, and Sundays; (b) outside watering is permitted on Tuesdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m. Under Stage 4 conditions the Company shall inform customers of the Water System's **mandatory** restriction to employ water conservation measures to reduce daily water consumption by 40%. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 4 conditions the following uses of water are strictly prohibited: (1) outdoor irrigation of lawns, trees, shrubs, or any plant life, except as otherwise provided herein; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other water

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		Revised	SHEET NO.	1.5
Payson Water Co., Inc.		Revised	SHEET NO	
Docket No. W-03514A-10-0116 et al.	Mesa Del Caballo Water System (PWS 04-030)			
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intensive activity. Under Stage 4 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

Water Augmentation: Under Stage 4 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 3 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

Notice: Under Stage 4 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 4 conditions, and a need to conserve water.

Enforcement: Once the Company has properly provided notice of Stage 4 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan may result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 4 curtailment notice shall be:

First offense:	\$400
Second offense: (see also Reconnection Fees Section)	\$750
Third offense:	\$1,500

If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

#### **Stage 5 Exists When:**

Water System's storage level is less than 50% of capacity for at least twelve (12) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

Restrictions: Under Stage 5 conditions, **mandatory** conservation measures should be employed by customers to reduce water consumption; by at least 50% as measured on a daily use basis. Under Stage 5 conditions no outside watering is permitted. Under Stage 5 conditions the Company shall inform customers of the Water System's **mandatory** restriction to employ water conservation measures to

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		Revised	SHEET NO.	1.6
Payson Water Co., Inc.		Revised	SHEET NO	
Docket No. W-03514A-10-0116 et al.	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

reduce daily consumption by 50%. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 5 conditions the following uses of water are strictly prohibited: (1) all outdoor watering; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other water intensive activity. Under Stage 5 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

Water Augmentation: Under Stage 5 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 4 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

Notice: Under Stage 5 conditions, the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 5 conditions, and a need to conserve water.

Enforcement: Once the Company has properly provided notice of Stage 5 conditions, the failure of a customer to comply with this Curtailment Plan within twelve (12) hours of receiving notice of its violation of this Curtailment Plan may result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2- 410(B)(1)(d). The reconnection fee for a violation of a Stage 5 curtailment notice shall be:

First offense:	\$800
Second offense: (see also Reconnect-ion Fees Section)	\$1,500
Third offense:	\$3,000

If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

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		Revised	SHEET NO.	1.7
Payson Water Co., Inc.		Revised	SHEET NO	
Docket No. W-03514A-10-0116 et al.	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

### **NOTICE**

If the Company elects to provide customer water conservation-stage notice by use of local sign postings the Company shall post and maintain at least two (2) signs per water system in noticeable locations that include the entrance to major subdivisions indicating the Company is operating under its Curtailment Plan Tariff, beginning with Stage 1. Each signs shall be at least four feet by four feet and color-coded to denote the current stage, as follows:

- Stage 1 — Green
- Stage 2 — Blue
- Stage 3 — Yellow
- Stage 4 — Orange
- Stage 5 — Red

The Company shall notify the Consumer Services Division of the Utilities Division at least;

- Twelve (12) hours prior to entering Stage 2.
- Six (6) hours prior to entering Stage 3.
- Six (6) hours prior to entering Stage 4.
- Four (4) hours prior to entering Stage 5.

### **RECONNECTION FEES**

All reconnection fees shall be cumulative for a calendar year regardless of the Stage that an offense occurs. For example, if a customer fails to meet the requirements of a water conservation stage, observe required water conservation measures under a Stage 3 condition, and after receiving notice that a water conservation stage is in effect, the reconnection fee will be \$200. If the same customer in the same calendar year commits an offense under Stage 5 conditions, the reconnection fee shall be \$1,500. By May 15 and October 15 annually, the Company shall provide the Director of the Utilities Division with a list of customers who paid reconnection fees for failure to comply with the mandatory provisions of the Curtailment Plan Tariff.

Any customer who has service disconnected according to this Curtailment Plan Tariff more than once during a calendar year shall have those terminations count against them in the next calendar year for purposes of establishing the reconnection fee, should another disconnection occur.

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		Revised	SHEET NO.	1.8
Payson Water Co., Inc.		Revised	SHEET NO	
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### WATER CONSUMPTION CALCULATION OF "DAILY USE"

For the purpose of calculating "daily use" under the Restriction section of Stage 2, Stage 3, Stage 4, and Stage 5 water conservation conditions, the following definition shall apply:

Daily use is determined by taking the customer water meter reading today and subtracting from the customer's meter reading yesterday. This daily use amount is multiplied by 30 days to obtain a calculated monthly use. This monthly use is then compared to the higher of: (a) the immediately preceding month's actual water consumption, or (b) water consumption for the same month in any one of the two previous years for the same service location, to determine if the customer reduced his/her water consumption by at least the required Stage's percentage. The water customer should reduce their daily water consumption from the higher monthly water consumption of either (a) or (b).

Example: Customer meter reads 986654 today. Customer meter read 986354 yesterday. The difference in meter reads is 300 gallons for one day or 9,000 gallons for 30 days. Customer's actual use in the same month in any one of the two previous years was 6,000 (b) gallons. Customer is in violation of Stage 3 mandatory water conservation conditions because his/her current "daily use" calculation is greater than his/her higher monthly use of (a) 7,000 gallons. Under Stage 3, the customer is required to reduce consumption by 30% of the 7,000 gallons or 2,100 gallons, 7,000 - 2,100 is 4,900. So the customer's daily use needs to be about 165 gallons per day.

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**EXHIBIT**

**B**

		Revised	SHEET NO.	2.0
Payson Water Co., Inc.		Revised	SHEET NO	
Docket No. W-03514A-10-0116 et al.	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

**EMERGENCY INTERIM**  
**WATER AUGMENTATION SURCHARGE TARIFF**

**EXEMPTIONS:** Customers who use 4,000 gallons or less per month based on a twelve (12) month rolling average are exempt from the mandatory reduction in daily use requirements and the emergency interim water augmentation surcharge.

In Decision No. 71902 (September 28, 2010), the Arizona Corporation Commission approved an interim water augmentation surcharge tariff to address water shortage issues in conjunction with a revised curtailment tariff. During Stage 3, Stage 4, and Stage 5 of the curtailment plan, the permissible water augmentation surcharge is to be calculated as outlined below:

**Water Augmentation Surcharge**

*Applicability* – This interim surcharge shall be in effect between May 1 and September 30 of each year, beginning in 2011, until the conclusion of Payson Water Company's next rate proceeding. It shall only apply to customers served on the Mesa Del Caballo water system.

*Calculation* – Each customer's monthly surcharge shall be calculated based on the company's prior month's water hauling costs, and compared to the customer's water usage during that particular month. The only costs recovered by the company through this interim surcharge will be the cost of the water supply and transportation costs; there will be no administrative costs or profit of this surcharge.

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